

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3367-03
Bill No.: SB 910
Subject: Insurance Dept.; Insurance - General
Type: Original
Date: March 7, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state the proposal would require minimal re-programming of INS systems to meet the provisions of the proposal. The re-programming will be accomplished within current appropriation levels and, therefore, the proposal will have no impact to the INS.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal subjects 383 malpractice associations to stricter insurance regulations.

383 ASSOCIATION PREMIUM TAXES - This proposal requires 383 malpractice associations to pay a quarterly premium tax of 1% for premiums or assessments in excess of \$1,000,000. Calendar year 2007 shall be the first year that 383 associations will be required to pay the tax (Section 148.376).

PLAN OF OPERATION/FEASIBILITY STUDY - This proposal requires 383 associations to file a plan of operation or feasibility study with the Department of Insurance. The plan of operation shall detail the coverages, deductibles, coverage limits, rates and rating classification systems for the insurance the association intends to offer. The plan shall also include historical and expected loss experience, pro forma financial statements and projections, actuarial opinions regarding the association's solvency, and underwriting claim procedures (Section 383.015).

ASSOCIATION SURPLUS AND SOLVENCY REQUIREMENTS - This proposal requires 383 associations to maintain a policyholders' surplus of at least \$100,000 and requires the association to deposit with the director of the department of insurance cash, bonds or treasury notes in the amount of \$100,000 (Section 383.020).

The proposal removes the prohibition on the Department of Insurance which precluded it from placing limitations on the amount of premium an association can write or on the amount of insurance or liability limit an association can provide. The proposal authorizes the director to require an association to submit a plan to restore its surplus to at least \$100,000. The plan must be submitted within 45 days. The association shall have two years to restore its surplus to \$100,000 (Section 383.035).

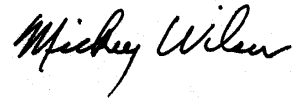
The proposal requires 383 associations to maintain a specified ratio of premiums written to surplus held. If an association fails to maintain the specified ratio, the director shall order the association to bring its ratio into compliance with the specified standards. If the association fails to comply with the ratio standards for two or more consecutive years, the director may take charge of the association in the same manner as a mutual casualty company (Section 383.036).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Insurance

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 7, 2006